

## **Fixed Operations One Homework Assignment**

**The following are Excel exercises found in the Post Class Excel Template:**

- 1. Perform the First Time Fill Rate exercise on 50 repair orders. Do not include "One item oil changes", Special Ordered Parts repair orders, or factory recalls. Consider standing where the techs collect the parts from the counter. If they ask for 5 parts and they get all 5 then on that repair order the parts inventory would get a 100%. If they did not get all 5 to finish the repairs then the Parts inventory would get a "0" % (25 points).**
- 2. Complete the DMS Scorecard for one month. Be sure to color code the inventory conditions. (25 points)**
- 3. Complete the Post Class Action Plan. The Academy would recommend that you attempt a small problem rather than one that takes many months to complete. It needs to be very detailed and clear as to the necessary steps to correct the deficiency. (100 points)**

**The following are found in the Post Class Word Document:**

- 1. Have your Parts Manager answer the 78 questions provided in the Post Class word Document. This is a learning/understanding exercise. It is recommended that you answer the questions with the manager. Confer and provide suggestive actions. Change the color of the font to distinguish the answers. (50 points)**
- 2. The sponsor action plan verification form is on the word document. Copy and paste that form to be signed by your sponsor. Scan it to a PDF and place it with the Excel and Word documents prior to placing them into its drop box on your class site.**
- 3. These three files must be submitted to your class Dropbox site together.  
Reach out if you have questions.**
- 4. There is a Post Parts Class Threaded Discussion that will be activated after class ends and will remain open until the Sunday before your service week begins. The topic is: What is the biggest challenge or obstacle that you think you will face in trying to implement actionable items that you learned in your parts class? This is a two-part exercise: Your first part is to post a substantial posting of 25 words or more outlining your challenge or obstacle. The second part is, you will need to respond to at least three (3) other students' topics with suggestions, observations, and ideas to help resolve their**

**obstacles and challenges. To obtain full credit (worth 300 Points) you will need both parts, your obstacle and/or challenge post and at least three separate responses to your peers' challenges and/or obstacles.**

- 5. Finally: Best Parts idea needs to be posted to your class site Parts Best Idea Threaded Discussion. This should be an idea that helps control expenses or increases sales or gross profit. Please have all of them read just prior to your parts debrief the Monday of your Service Week. The class will ballot on the best idea at the 9:00AM break.**

**Mark Michalski**  
[mmichalski@nada.org](mailto:mmichalski@nada.org)  
443-801-7768

**Brian Crossin**  
[bcrossin@nada.org](mailto:bcrossin@nada.org)  
703-395-1570

## Parts Manager Questions

Have your parts manager answer the **78** questions found in this zip file. Confer and provide suggestive actions. **(50 points) Provide your answers in a different color font.**

1. How often is your dealerships source pricing levels reviewed for competitive maintenance and heavy repair?  
**According to the job description, they're reviewed once a quarter.**
2. Compare the pricing policies in the parts department and see how competitive your Dealership is within your area.  
**Compared. They're competitive.**
3. Verify with the use of market surveys on selected parts prices in your area as to whether you are competitive with others. You don't have to be the lowest to sell more, but too little or too much profit can keep you from being competitive.  
**We retain a medium price.**
4. Does the computer system you have follow one or more of the pricing guides for various types of customers? Review the pricing structure with the manager and determine areas of profit potential. Policies in wholesale, retail counter, service department, employees, etc., need to be established.

**The price is determined according to the Provisions for Working with Wholesale Buyers and the Provisions on Discounts for Retail Customers. As well there is a requirement from the distributor Toyota Motor (Moscow) for compliance with the maximum spare parts sale price. We are not allowed to sell above this price.**

**Compliance with all these requirements is controlled on a daily basis.**

5. Do you have in place policies and DMS controls (via Exception or Deviation Reports) to prevent counter people from changing the pricing structure during daily transactions? What about Service Advisors?

There are reports on margin and discounts amount.  
Discounts are checked by a Senior Service Advisor daily.

6. Is there a process followed to prevent the costing of parts at other than the established factory (OE) cost within the dealership when parts are placed into the inventory? (done through the use of +/- inventory adjustment account(s))

When entering parts in the books, the prices for items received from the distributor, are set automatically in the DMS by an electronic copy of the invoice. When entering goods from other suppliers in the books, the prices are checked manually.

The control over the prices correctness and the number of entering is three-step:

1. Storekeeper - the author of the document;
2. Inventory manager;
3. An employee, initially endorsing a document before submitting it for payment / transfer of the original document to the Accounting department.

7. Regardless of parts cost (due to various sourcing opportunities (Jobber/Wholesale Distributor), are they all costed at the same factory price to maintain accurate inventory value?

When entering parts in the books, the prime cost is taken only from the document. Revision is impossible.

8. How are discount purchases tracked in the system to show additional profit based on the cost of the part from a particular source other than factory price?

In the system parts are recognized at their actual cost (the purchase price from a supplier).

9. Do you have an internet presence for your parts department?

On the corporate website there is a separate page for spare parts, accessories and oils.

10. What type of merchandising programs do you have in effect? What is the relative cost versus sales generated as a result of the programs?

- selling accessories through the Accessories Sales department (the main source of accessories sale - 80%):
  - Showcases with accessories, tires and wheels
  - Working with new cars buyers

- Seasonal promotions for customers (Webasto) with promo mass texting, call-down

- (selling accessories through Service Advisors (an additional source of sale – 18%))

- There is a stand with accessories in the cars service acceptance area.
  - Service advisor has KPI for accessories sale.
  - In the area where service advisors communicate with customers, there is the most fully equipped new car with price tags for accessories.
  - The focus is on expensive accessories – interior reupholstering, car body coatings, tires, wheels.
- Boutique with clothes (about 1-2% of total sales)  
 - Showcase with Japanese supplies (wipes, air fresheners ...)  
 - Seasonal service promotions, stimulating sales of seasonal spare parts.

11. Is an outside salesperson active in your parts department? Are the sales at a level that “pays” for the employee or could the accounts be maintained on a part-time basis by the manager?

We don't have any “outside” salespersons.

12. Do you have factory merchandising dollars available, and if so, how much of those dollars have been spent year-to-date by the dealership? What must be done to qualify for more expense sharing in merchandising by the factory and the dealership?

We have a quarterly bonus from the distributor for selling Regular Inspection Packages to customers (when a customer immediately buys a package of two or three Regular Inspections). The bonus is considered to be a compensation for a discount for parts. To increase the bonus, it's necessary to increase sales of service packages. This program is very good in terms of binding customers to our service.

13. With the growing use of mobile smartphones by customers do you have a mobile ready website? No

14. Do you periodically check your online internet Parts coupons? How often are they checked? How often are they updated?

We don't have any online internet coupons.

15. Pay plan reviews should be made at least on a monthly basis. When has a comparison been made between departmental gross profit and the personnel

expenses for the department? Is the current sales level providing a sufficient profit for the pay levels established for the parts employees?

Plan/actual of the business plan is checked on a monthly basis. Expenses for Spare parts department's personnel are according to the plan.

16. Does the parts department actually seek additional revenue or "live off" the sales of the service department only? If not why not?

The Parts department has a high additional revenue.

17. Is a program set up to sell accessories to the customer in the sales department as well as the parts area of the dealership? If not, are you leaving potential sales and gross profit on the table? The program is set up.

18. Do you review wholesale customers weekly to see if parts sales dollars per customer and returns justify the expense of conducting business with them? For example, delivery 30 miles out of town to a customer ordering \$300 a month of parts at Cost+20% may not justify the delivery service.

We do not pay for the delivery of spare parts to a customer. We are guided by the provisions on working with wholesale buyers, when setting prices. The discount from the retail price depends on the sales volume within the previous quarter.

19. Do you study your wholesale market opportunity with the dealership's area of influence? Who's the major player and can you unseat them? Can you make a difference against your competition? Can you deliver 2-3 times a day? Within what mileage radius?

Yes, we do. We're worried that an increase in the wholesales volume will lead to an increase in the number of customers coming to service with their own spare parts, a decrease in retail sales.

20. Who verifies the "wholesale" customer applications to make certain they are really true wholesale customers? Are your state Tax-ID/Wholesale Certificates current (within the last two years?)

We sign a contract with every wholesale customer. Before signing, a contractor is checked by the Financial Manager, Lawyer, Head of the Spare Parts department.

21. Discuss monthly expense control with the parts manager and identify specific areas under the manager's control. If expenses are allocated and not charged on a controlled basis, consider basing pay programs on sales or gross rather than net profit as part of the plan.

All expenses are approved by the business plan. The control is carried out by the head of the spare parts department and the financial manager.

22. Who determines credit approval for parts customers and what screening system is applied? Who follows the receivables list in a timely manner to make certain payment is made by the customer without exceeding the account limits?  
The list of receivables limits is reviewed quarterly. It's controlled by a manager, department head and financial manager. Every Friday there is a meeting on receivables with heads of the departments.
23. Is the financial statement for the parts department given to the manager and discussed on a weekly/monthly basis?  
Daily and accumulatively from the beginning of a month.
24. What are the special parts ordering policies for SORs? Where is it written and posted? When was it reviewed and what level of management approved it?  
Described in the procedure for Completing a Customer's Order.
25. Do you require 100% pre-payment on these parts? Do you differentiate between Counter Retail/Wholesale and Service RO?  
Spare parts for special orders are made with a 70% pre-payment. Pre-payment is not required for only very large customers with an approved receivables limit..
26. What time is set to retain these parts and then initiate a return? Is a return charge made on customer pay parts that are returned because the customer did not return for them within a time limit?  
If an order is prepaid, the reserve is removed after 2 months.  
If a customer refuses, 30% of the part cost is deducted from the customer.
27. Who are the parties that are involved in the SOP process start to finish?  
Inventory control manager.
28. Are special order forms completed in a legible manner so that the customer information can be read?  
They are input in the IT system. It is impossible to make an order without filling in the required fields
29. Where are special order parts for the service department located? Who notifies the customer the part is in, and who determines when to send the parts back if no response is made by the customer? Is anyone designated to follow up on SOP's, the lack of return?  
They are not located separately at the stock.  
Managers of the Spare parts department or the service advisor (depending on who is responsible) notify the customer about the arrival of the part to the stock on the

day the spare part arrives, in the IT system they make a note about the result of the call, a task for a repeated call is created.

30. See if special order parts are carried in a separate section of the parts inventory to maintain control. Or they inserted into the regular inventory?

Yes, they are inserted in a separate section of the IT system.

31. Who administers and controls the Purchase Order system (DMS/book)? What dollar amount of fixed asset purchase can be made without approval above parts management level? Who sets and monitors these \$\$ levels and total open PO's and open PO \$'s?

Inventory control specialist. The orders for more than \$ 500 must be approved by the head of the Parts department and the General Director.

32. Does anyone other than the parts manager have direct purchasing authority from outside vendors? Who oversees the Parts Manager? (Double signatures, Perusing the Parts Dept. purchase invoices)

A purchase can be issued by the inventory control manager and senior manager of the Accessories department. They are controlled by the head of the Spare parts department.

The audit showed that when ordering accessories, it is necessary to improve the control.

33. Who established internal parts pricing policies? Are all internal purchases centralized and run through the Parts Department for control purposes?

Pricing policy is developed jointly by the head of the Spare parts department and the Financial manager. Approved by the General Director.

34. Does the value of the parts inventory on the parts computer exceed, or is it less than, the financial statement dollar amount? (Monthly Reconciliation Exercise)

It coincides. Reconciliation is carried out monthly.

35. If the accounting inventory value is higher than the parts computer, look for the parts inventory missing items (uncontrolled inventory). (Monthly Reconciliation Exercise) n/a

36. If the accounting inventory value is less than that of the parts inventory value does this indicate an abnormal condition? (If not, why?) (Monthly Reconciliation Exercise) n/a

37. If LIFO is used, when inventory value is used to calculate days' supply, etc., the actual value should include the LIFO reserve.

FIFO is used. LIFO is not used in Russia.

38. Is there an employee responsibility to function chart as was discussed in class? Are there specific inventory transactions (Grading, Ordering, Receipting, Posting, Adjustments, Bin Count Inventory, Returns, Cores/Dirty Cores) assigned to each of the employees in the parts department? (Functions vs Employee Exercise)

The department structure is approved by the order of the General Director. Responsibility for inventory transactions is assigned to each employee and recorded in the job description.

39. Who controls the training programs for the parts employees? When was it last reviewed? Is it part of a yearly review with the employee and is it part of the employee's pay plan?

Training programs are controlled by the distributor – Toyota Motor Moscow, the department head and the personnel manager. The training program is reviewed every year when preparing an annual business plan. There is no connection between training and salary.

40. Are records kept of the training for each person and when did someone last take online DMS refresher training? Parts Catalog training? OE/Manufacturer specific training?

The training portal maintains records of all training and testing for each employee during the entire period of his/her work at Toyota company. Employees of the Parts department passed Parts catalog training On-Line (during 2018 and in the beginning of 2019 year).

41. Has your Parts Manager ever taken a departmental Financial Management class like the ATD Academy? When was the last time they attended any formal Parts Management training?

The head of the Spare parts department took such training many years ago. A logistics specialist took a training course last year, and there is a training plan for this year.

42. A computer system diagram with specific terminal equipment positions should be made and a flowchart of work routine should be made. Determine if the equipment meets daily needs and if the equipment is in the right locations. Is the volume of business at a level that requires more system hardware, or does it require less?

The flowchart is made. It requires more.

43. How much of the replenishment/daily order is manually adjusted? Does it exceed 10%? Who makes the stock replenishment changes, and what are the reasons for the majority of those adjustments? When was it changed last and by whom?

Only items that are in seasonal demand are adjusted.

44. Is the trend of those changes in question #42 a positive or negative trend?

The trend is positive.

45. What is the percentage of stock order from the factory versus outside purchase (emergency purchases)? About 90% from the factory.

46. Where are the computer-generated management reports printed and stored are they used on a daily? (CDK MGR Report) How are the management reports utilized?

Stored in the IT system and in paper form at the department head. They're utilized in discussions and reports at daily meetings, monthly meetings and in the business plan preparation.

47. Is the DMS Summary used to track inventory trends? When will you incorporate the DMS Scorecard that you learned about in class? Are there areas on the DMS scorecard that you couldn't find and if so who at the DMS is helping you to find those answers?

Used daily.

48. How often is your Parts Inventory adjusted for errors in part value or part quantity? (Moments in Time)

Adjustments can be made following the inventory verification results.

49. Have the fifty most active parts numbers been checked for parts bin count accuracy? (Moments in Time)

Yes. Everything is OK. .

50. Are the transactions for each day reviewed by the parts manager to make certain that any adjustments made (plus or minus) are accurate?

Yes. Reviewed daily.

51. Have you given the Lost Sale Quiz to the parts Manager and Counter-people? Others in the dealership? **No.**

52. Are true lost sales being tracked in your DMS? Who can log a Lost Sale?

**In DMS there is a report on lost demand. Looked through monthly. Efficiency is low: it is very difficult to identify items that are actually lost demand, and not simply a price or availability request.**

53. Who reviews the Lost Sales? When are they reviewed?

**Head of the Spare Parts department. Monthly.**

54. Are emergency ordered part numbers reviewed to see if they qualify to be phased in? Is the Test/Non Stock/Watch feature of the computer system utilized to test which parts to stock (Phase In)?

**Demand over six months is analyzed, and the items that are in high demand are getting a stock policy Auto Stock. In general, these are MAD (Monthly Average Demand goods) > 0.66 (at least 4 sales in six months). In the Inventory Coefficient DMS section, all goods are divided into classes depending on the quantity demanded, number of transactions, group (type), etc. Control parameters: stock policy, the size of insurance spares, the minimum and maximum quantity in the stock, etc., are established for each class, and the standard value of the in-stock balance is calculated for each item.**

55. What demand history does it take to place a part on the inventory stock order or in inventory? Time limit and quantity are generally managed by Vendor Managed Inventory systems?

**The period analyzed is 6 months. In-stock balance manager runs the stock.**

56. What is your Compliance % level for your inventory with your Vendor Managed Inventory, RIMPRO?

**Is this turnover KPI? I don't know what is RIMPRO. It is achieved according to the standard method calculation.**

57. Are all parts sold by the department placed in the Parts inventory and then sold from the inventory? Do you stock any items that aren't in your inventory (Shop supplies, get ready, bulk fluids like washer solvent)?

**All goods and consumables are placed in the Parts inventory. No goods can be sold or issued from the stock if they are not placed in the Parts inventory.**

58. Are the procedures for shipping and receiving written or all verbal? Who's responsible for reviewing and updating these policies and procedures?

The procedures are written. They may be revised at the initiative of the head of the Spare parts department, after the General Director's approval.

59. Who files damage claims on parts shipments received?

The head of the Spare Parts department and the General Director.

60. Who receives parts orders, and how are they received? Is the original stock order transmitted to the factory cross-checked? What do you do about discrepancies?

Orders for spare parts are received either from service advisors and salespersons of the Spare parts department - customer orders; or formed by advisors of the Spare parts department - stock orders. They are checked by the Inventory control manager.

Also the head of the Spare parts department and the General Director check and sign stock orders and Back Orders. As to discrepancies, there is no possibility to return them to a supplier, we try to sell them. Fortunately, such cases number in only a few units per year.

61. At a minimum, is perpetual inventory verification done in conjunction with a physical inventory on a yearly basis?

Inventory verification is done on a quarterly and annual basis, jointly with the audit company.

62. Who applies and loads the monthly price updates?

Heads of the Spare parts department and the IT department.

63. Are parts cost adjustments (monthly price updates, bin count irregularities and emergency purchases at more or less than OE cost) tracked by someone in the dealership or is a periodic inventory adjustment method utilized (like once a year)?

According to the Russian accounting rules, cost adjustment cannot be made.

64. What adjustments were required after the last physical inventory to the dollar value, etc., of the inventory?

Entering surplus in the books – 82 \$

Shortage write-off – 3 \$

65. Are all obsolete parts that are on the inventory physically in the store?

Yes.

66. Are they separated into a special area to be controlled and tracked for sales history? Separate source? Change bin location by adding a J for easy identification by counter persons?

Physically obsolete parts are not stored separately, but on a monthly basis a list of the obsolete parts is sent to managers and company management. There is an additional salary for managers selling the obsolete parts.

67. Who verifies the completion of the repair orders between the first and second month they are reported in the work-in-process status?

In DMS there is a report on completion of customer spare parts orders. It's checked daily. Formed orders are highlighted in the report and sent to the appropriate department (Service, B&P, Spare parts, Warranty, Accessories) to invite customers for repair.

68. Do the Parts, Service and Body Shop Managers along with the Office Manager/Controller together follow up on all Work in Process (WIP) tickets and verify that they are closed out in a timely manner?

I didn't quite understand the question: what are Work in Process (WIP) tickets? If it's about control of the work orders with "in process" status and their timely closure - then yes, all the work orders are under control. The control is multistage: advisors themselves, senior advisors, control in the DMS: if a car with an unclosed work order left the territory – all managers receive a message by mail from the IT system.

69. Is a daily operating report of sales, gross profit etc., being provided to the parts manager for review by him (DOC)?

Yes.

70. What is the months' supply of the inventory? Does this match the students calculations found in their FS Parts Excel template? Are too many parts stocked in the inventory based on this calculation?

The average monthly inventory receipt (Spare Parts+Oils) is 190 000\$.

71. What is the true turn of the inventory? Does that match the students calculations found in their FS Parts Excel template?

0.94 excluding accessories.

72. Is the inventory area large enough for the current level of business? Answers to this question can be obtained when the student does the FTFR (First Time Fill Rate) exercise.

The inventory area is large enough, there are enough vacant storage facilities.

73. Where are the Dealership's policy and procedures manuals located and who handles the review with the manager and his employees? Who has verified that the manual is located in an area that allows for easy access?  
Folders with job descriptions and procedures are stored in each division. They are checked regularly by managers and during audits and TSM inspections organized by the distributor.
74. Is your Parts Department locked up each night? Who has keys?  
Yes. An inviolable sticker is put. The keys are given to security.
75. Do your Counter-people have a cash drawer? Who balances the drawer?  
They are not allowed to receive money. There is a separate cash office and a position of a cashier-accountant
76. Is there a policy in place for overages for the cash drawer/balancing?  
Yes, we do.
77. Do you have security cameras in the Parts Department? Who has access to the tapes/CD/backup?  
Yes, we do. Security Department, General Director, Head of spare parts Department
78. What one thing can your organization do to help you do your job better?  
Improve the IT system.